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DPD-5454-59

13 August 1959

MEMORANDUM FOR: Comptroller, DPD

25X1 SUBJECT : Contract No [redacted]
Boeing Airplane Company,
Contract Close Out

25X1 REFERENCE : (a) Memo for [redacted] dtd. 25 Feb. 1959
25X1

25X1 1. Contract [redacted] between the Agency and Boeing
25X1 Airplane Company, Wichita, Kansas covered Project [redacted] Studies. Contract was issued on a CPFF basis. Contractor submitted the required final report on 18 December 1958 and it was approved 25 February 1959 by reference (a).

2. Subsequently, the Air Force Auditor examined the Contractor's costs and submitted his Report No. 390, copy attached. The Contract was issued at a total estimated cost and fixed fee of $18,519.00 and $1,481.00 respectively or a total of $20,000. The Auditors report questioned $252.00 and reserved for consideration of the Contracting Officer $717.00 in costs.

3. The $252.00 represented the premium for overtime not approved in advance by the Contracting Officer. This overtime was approved retroactively and the total cost questioned is acceptable to the Contracting Officer.

4. The $717.00 reserved for determination by the Contracting Officer represents a normal "holdback" of 10% taken by the Contractor and administrative Contracting Officer as a safety factor to cover possible adjustments when the final actual overhead rate is negotiated. Since final overhead rates have not been negotiated between this Company and the Air Force since 1954, an experience factor for disallowance is not available. The principal difficulties in establishing a final rate for 1958, as pointed out by the Auditor are, (1) determining the adequacy of accruals for vacation expense, (2) accruals for Kansas State Income Tax and (3) acceptability of the General Research Pool.

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5. The effect of the combined total of these three accounts in the overhead pool probably does not equal the 10% "hold back", therefore, it is to be assumed that the difference being withheld is an additional safety factor and in all probability will be paid to the contractor after determination of the final rate. It is impossible for either party to attempt to determine at this point what the exact effect of these three accounts will be, however, after further discussions with the Auditor and the Contractor the following comments are pertinent.

(a) The accruals for vacation expense and Kansas State Income Tax are normal accounting practices and in general are fairly accurate forecasts of the final actual cost, particularly since it is for the previous year.

(b) The amount in the General Research Pool which will be accepted by the Air Force cannot be determined. However generally it is the policy of the Air Force to approve the bulk of such costs since the Wichita facility is almost 100% Government business.

6. In view of the foregoing, acceptance of the $717.00 is recommended since the Administrative costs of holding this contract open for an indefinite time period and the costs of sending the Auditor back to Kansas would offset any reduction in the $717 00 the Government might obtain by waiting until such rates are finally determined.

7. The following data is attached for your retention and file and constitute closing action on the part of the Contractor.

(a) Cy #2 Audit Report #390
(b) Patents and Royalty Statement BAC ltr. 3-1150-65-71, dated 17 March 1959.
(c) Inventory Certificate
(d) Final Release
(e) Assignment of Refunds, Rebates and Credits
(f) Final Invoice.

8. Based upon the above it is recommended that final payment be made under the subject contract. Also, request this office be notified when payment is made and the amount.

Distr.
1-Comptroller
1- [redacted] Contr. Sec.
1-Chrono

25X1

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[redacted]
Contracting Officer, DPD

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